

MINUTES

**MONTANA SENATE
56th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on February 2, 1999 at 8:00 A.M., in Room 413/415 Capitol.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Bob DePratu, Vice Chairman (R)
Sen. John C. Bohlinger (R)
Sen. Dorothy Eck (D)
Sen. E. P. "Pete" Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Alvin Ellis Jr. (R)
Sen. Bill Glaser (R)
Sen. Barry "Spook" Stang (D)

Members Excused: None

Members Absent: None

Staff Present: Sandy Barnes, Committee Secretary
Lee Heiman, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 260, 1/28/1999
Executive Action: None

HEARING ON SB 260

Sponsor: SENATOR WM. E. "BILL" GLASER, SD 8, HUNTLEY

Proponents: Dennis Burr, Montana Taxpayers Association
Steve Turkiewicz, Montana Auto Dealers Association
Mike Foster, Montana Contractors Association

Opponents: Gordon Morris, Montana Association of Counties

Opening Statement by Sponsor:

SEN. BILL GLASER, SD 8, Huntley, introduced **SB 260**, which has to do with automobile taxes. He said by next year, taxes on a vehicle will have doubled in seven years. This has become a hardship for the citizens of Montana, some of whom pay more taxes on their vehicles than they pay on their homes.

SEN. GLASER said in 1993 taxes were \$46 million with the 2% ad valorem; in 1994, they were \$54 million, up 18% from 1993; in 1995, they were \$63 million, up 36% from 1993; in 1996, they were \$69 million, up 50% from 1993; in 1997, they were \$74 million, up 60% from 1993; in 1998, \$78 million, up 69% from 1993, just five years; in 1999, the expected revenue according to the Fiscal Note is \$87 million, up almost 90% from 1993; and in the year 2000, it is projected to be \$91 million, 97% up from 1993. If you add the \$19 million for the county local option tax, that is \$110 million in automobile tax going into the next century. Taxes on automobiles have doubled in seven years.

SEN. GLASER said this bill will reduce the taxes on light vehicles and fleet vehicles by one-half and provides that the amount of money distributed to the district court fund from light vehicle taxes remains unchanged.

Proponents' Testimony:

Dennis Burr, Montana Taxpayers Association, said that this is a tax that has gotten totally out of hand. He said that the cost and value of vehicles has increased so much and so fast in the last few years, that this tax has gotten totally out of hand for the average Montanan.

Steve Turkiewicz, Executive Vice-President of the Montana Auto Dealers Association, said his association is happy to see a proposal to reduce automobile taxes, and he urged support of **SB 260**.

Mike Foster, Montana Contractors Association, said that one of the benefits for the contractors is that it will allow construction bids to be lower, which is a win-win situation for the taxpayers. He urged support of this bill.

Opponents' Testimony:

Gordon Morris, Director, Montana Association of Counties, said he has to rise in opposition of this bill. He said there are other proposals which would deal with this problem that would be preferable, particularly **SEN. SPRAGUE'S** approach. He said local

governments lose approximately 50% of the money that would be lost by virtue of reducing it from 2% down to 1%, and to further reduce the local option tax would take money away from district courts. Local governments are not financially healthy at this point, and this would be a real hardship. He recommended looking at alternatives for getting to the same point as **SEN. GLASER**, but not by doing damage to local governments.

Questions from Committee Members and Responses:

SEN. DEPRATU, in response to **Mr. Morris's** comments, referred to page 1, line 28, which keeps the district courts whole, and **Mr. Morris** said that this doubles the 7% that currently goes to the district court reimbursement program. That means \$5 million per year would stay constant with that increase. He said his concern is with the .5% on line 23, page 2. He said when that law was passed, the intent of the legislation was that that .5% would be dedicated to funding district courts, so there is an impact.

SEN. DEPRATU then asked **SEN. GLASER** if this applies only to the second year and subsequent years, it does not affect the new car sales tax of 1.5% for the first time a vehicle is licensed, and **SEN. GLASER** said this bill just affects the 2% ad valorem, and the local option tax.

SEN. STANG asked if **SEN. GLASER** had thought about putting a minimum in his bill that might have mitigated some of the fiscal impact. He said it seems like a minimum of \$10 or \$15 rather than \$5 would have mitigated some of the effect of the bill.

SEN. GLASER said they thought of a lot of things when creating this bill, and referred to the 1998 Property Tax Distribution chart, **EXHIBIT (tas26a01)**. He said he did think about \$10 minimum as a tax on cars, he also thought about lower percentages. He said he intended this bill to be tax policy, and distribution would be dealt with in Finance and Claims.

CHAIRMAN DEVLIN asked **Mr. Morris** if he had a comment on what **SEN. STANG** was asking, and he replied that his impression of **SEN. STANG'S** question was that he was suggesting that we simply put a minimum. He said there was one other issue in the bill. He said the effective date is December 31, 1999, which is mid-term in Fiscal Year 2000, and his recommendation would be to make the bill effective July 1, 2000, so that it coincides with state and local government fiscal years. **CHAIRMAN DEVLIN** then asked what he intended for the first half of those automobiles that are on the staggered system, and **Mr. Morris** said that a January plate would pay at the existing rate. **CHAIRMAN DEVLIN** said that there would be a tax break for those licensing after July, and **Mr. Morris** said the same thing would have been true no matter when it

is started. **CHAIRMAN DEVLIN** then asked, when it was changed back to the ad valorem, whether that started in the first part of the year or in the middle of the year, and **Mr. Morris** said it started in July, with the fiscal year.

Closing by Sponsor:

SEN. GLASER said that **SEN. SPRAGUE'S** bill will not do anything for the taxpayer until a couple years down the road. He said that something has to be done to relieve the burden of automobile taxes on Montana citizens. He referred again to the yearly increases in taxes from 1993, and asked do pass on **SB 260**.

ADJOURNMENT

Adjournment: 8:27 A.M.

SEN. GERRY DEVLIN, Chairman

SANDY BARNES, Secretary

GD/SB

EXHIBIT (tas26aad)